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REPORT
101-262

VETERANS' COMPENSATION AMENDMENTS OF 1989

SEPTEMBER 27, 1989.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

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Mr. MONTGOMERY, from the Committee on Veterans' Affairs, submitted the following

REPORT

[To accompany H.R. 1335]

[Including cost estimate of the Congressional Budget Office]

The Committee on Veterans' Affairs, to whom was referred the bill (H.R. 1335) to amend title 38, United States Code, to increase rates of compensation and disability and dependency compensation for veterans with service-connected disabilities and survivors of such veterans, and for other purposes, having considered the same, reports favorably thereon with amendments, by unanimous voice vote, and recommends that the bill as amended do pass.

The amendments (stated in terms of the page and line numbers of the introduced bill) are as follows:

Page 3, strike out lines 5 through 7 and insert in lieu thereof the following:

(11) in subsection (k)—

(A) by striking out "$63" both places it appears and inserting in lieu thereof "$66"; and

(B) by striking out "$1,825" and "$2,559" and inserting in lieu thereof "$1,924", and "$2,684", respectively.

Page 6, line 1, strike out "$138" and insert in lieu thereof "$505".

Page 6, line 15, strike out "this Act" and insert in lieu thereof "sections 2 through 6".

Page 6, after line 16, add the following new section:

SEC. 8. COLLOCATION OF REGIONAL OFFICES WITH MEDICAL CENTERS.

Section 230 is amended by adding at the end the following new subsection:

21-641⇆

H763-12

"(c)(1) To provide for a more economical, efficient, and effective operation of such regional offices, the Secretary shall provide for the collocation of at least three, and not more than seven, regional offices with medical centers of the Department—

"(A) on real property under the jurisdiction of the Department of Veterans Affairs at such medical centers; or

"(B) on real property that is adjacent to such medical center and is under the jurisdiction of the Department as a result of being conveyed to the United States for the purpose of such collocation.

"(2)(A) In carrying out this subsection and notwithstanding any other provision of law, the Secretary may lease, with or without compensation and for a period of not to exceed 35 years, to another party any of the real property described in paragraph (1)(A) or (B) of this subsection.

"(B) Such real property shall be used as the site of a facility—

"(i) constructed and owned by the lessee of such real property; and

"(ii) leased to the Department for use as office space for the regional office concerned and such other appropriate activities as determined by the Secretary, as described in paragraph (3)(A).

"(3)(A) The Secretary may enter into a lease for the use of any facility described in paragraph (2)(B) of this subsection for not more than 35 years under such terms and conditions as may be in the best interests of the Department.

"(B) Each agreement to lease a facility under subparagraph (A) of this paragraph shall include a provision that the ownership of such facility shall vest in the United States at the end of such lease.

"(4)(A) The Secretary may sublease any space in such a facility to another party at a rate not less than—

"(i) the rental rate paid by the Secretary for such space under paragraph (3) of this subsection; plus

"(ii) the amount the Secretary pays for the costs of administering such facility (including operation, maintenance, utility, and rehabilitation costs) which are attributable to such space.

"(B) In any such sublease, the Secretary shall include such terms relating to default and nonperformance as the Secretary considers appropriate to protect the interests of the United States.

"(5) The Secretary shall use the receipts of any payment for the lease of real property under paragraph (2) for the payment of the lease of a facility under paragraph (3).

"(6)(A) Subject to subparagraph (C)(i) of this paragraph, the Secretary shall, within 90 days of the date of the enactment of this Act, issue a request for proposals with respect to three collocations to be carried out under this subsection. Such request shall include, with respect to each such collocation, at least—

"(i) identification of the site to be developed;

"(ii) minimum office space requirements for regional office activities;

"(iii) design criteria of the facility to be constructed;

"(iv) a plan for meeting the security and parking needs for the facility and its occupants and visitors;

"(v) a statement of current and projected rents and other costs for regional office activities;

"(vi) the estimated cost of construction of the facility concerned, the estimated annual cost of leasing space for regional office activities in the facility, and the estimated total annual cost of leasing all space in such facility;

"(vii) a plan for securing appropriate licenses, easements, and rights of way; and

"(viii) a list of terms and conditions the Secretary has approved for inclusion in the lease agreement for the facility concerned.

"(B) Subject to subparagraph (C)(ii) of this paragraph, the Secretary shall, within one year after the date on which such request is issued, enter into an agreement to carry out three collocations unless the Secretary determines that it is not economically feasible for the Department of Veterans Affairs to undertake them, taking into consideration all of the tangible and intangible benefits associated with such collocations.

"(C) The Secretary shall—

"(i) at least 30 days before the issuance or other publication of the request described in subparagraph (A) of this paragraph, transmit a copy of such request to the Committees on Veterans' Affairs of the Senate and of the House of Representatives; and

"(ii) at least 30 days before entering into an agreement under subparagraph (B) of this paragraph, transmit a copy of the proposal selected by the Secretary from those received under subparagraph (A) of this paragraph to the Committees on Veterans' Affairs of the Senate and of the House of Representatives.

"(7) The authority to enter into an agreement under this subsection shall expire on October 1, 1992.".

Amend the title so as to read: "A bill to amend title 38, United States Code, to increase rates of disability compensation and dependency and indemnity compensation for veterans with service-connected disabilities and survivors of such veterans, and for other purposes."

INTRODUCTION

The Administration's proposed fiscal year 1990 budget request submitted earlier this year recommended that increases in the service-connected disability compensation and dependency and indemnity compensation (DIC) programs be indexed to the annual change in the Consumer Price Index (CPI) in the same manner as the non-service-

connected disability pension program and Social Security. The Administration estimated that the cost-of-living increase for these programs, effective December 1, 1988, would be 3.6 percent, based on the changes in the CPI from the third quarter of calendar year 1988 to the third quarter of calendar year 1989.

In its report to the Committee on the Budget, submitted February 27, 1989, the Committee recommended that the First Concurrent Budget Resolution contain new budget authority and outlays for a 4.9 percent cost-of-living adjustment (COLA), effective December 1, 1989, based on the Congressional Budget Office baseline estimate for the expected change in the Consumer Price Index.

On March 9, 1989, the Chairman of the Subcommittee on Compensation, Pension and Insurance, the Honorable Douglas Applegate, introduced H.R. 1335, a bill that would provide a 4.9 percent COLA in the rates of service-connected disability compensation and DIC.

On April 5, 1989, during a hearing before the Subcommittee on Compensation, Pension and Insurance on H.R. 1335, spokesmen for the Department of Veterans Affairs (DVA) testified that the Administration strongly supports COLA's based upon actual increases in the cost of living, but that the Administration believes this can best be done by legislation that would provide for an automatic annual increase in compensation rates indexed to the CPI increases.

On September 13, 1989, the Subcommittee approved H.R. 1335 for consideration by the full Committee with two amendments.

On September 20, 1989, the full Committee ordered H.R. 1335 favorably reported as amended.

Summary of the Bill

H.R. 1335 as reported, would:

(1) Increase, by 4.9 percent, effective December 1, 1989, the rates of compensation for service-connected disabilities and rates of dependency and indemnity compensation for surviving spouses and children of veterans who die of service-connected causes and increase by 4.9 percent the aid and attendance allowance payable to eligible veterans and surviving spouses, the additional amounts for dependents and survivors, and the clothing allowance for certain veterans;

(2) Increase the special monthly compensation provided in section 314(k) of title 38, United States Code, from $63 to $66; and

(3) Require the collocation of at least three, and not more than seven, DVA regional offices onto sites currently occupied by DVA medical centers.

Background of the Compensation and Dependency and Indemnity Compensation Programs

There were 2,191,664 veterans receiving disability compensation as of June 1, 1989. The Department of Veterans Affairs expenditures for disability compensation for fiscal year 1990 are expected to be $8.9 billion.

The basic purpose of the disability compensation program, throughout its history, has been one of providing a measure of relief from the impaired earning capacity of veterans disabled as the result of their military service. The amount of compensation payable varies according to the degree of disability, which, in turn, is required by law to represent, to the extent practicable, the average impairment in earning capacity resulting from such disability or combination of disabilities in civil occupations.

To be eligible to receive disability compensation a veteran must have contracted a disease, suffered an injury which is not the result of willful misconduct, or aggravated an existing disease or injury in the line of duty during active duty service and have been discharged under other than dishonorable conditions.

The responsibility for determining a veteran's entitlement to service connection for a disability rests solely with the Department of Veterans Affairs. This determination is based upon the service medical records or other evidence which may be presented to the Department by the veteran. The law provides that if a veteran had service of 90 days or more during time of war or after December 31, 1946, and develops a chronic or tropical disease to a degree of ten percent or more within one year of his discharge from such service, service connection may be granted by presumption. Service connection may be granted by presumption for active tuberculosis or Hansen's disease (leprosy) which becomes manifest to a degree of 10 percent or more within three years of a veteran's discharge from such service and for multiple sclerosis becoming manifest to a 10-percent degree within seven years of a veteran's discharge from such service. In cases of prisoners of war, diseases related to nutritional deficiencies or anxiety states or psychosis which become manifest to a degree of 10 percent or more at any time after service, may be granted service connection on a presumptive basis.

When a claim for service-connected disability benefits is received from a veteran, the Department obtains the service medical records and the issue of service connection is generally decided based upon such records. If the service medical records do not establish that the disability was incurred in service, the veteran may submit evidence to substantiate the contention. Generally, this may be by statements from persons with whom the veteran served relating knowledge of the veteran's injury or disease. The Department also would consider the question of entitlement to service connection by presumption if the disability is a

chronic disease becoming manifest within the prescribed period of time. If a veteran is granted service connection, the percentage of disability is generally based upon the findings of a DVA examination. If a veteran with a service-connected disability should feel in some later year that the disability has increased in severity, evidence of this, usually a statement of recent medical treatment, may be presented to request re-evaluation of the disability. Should the Department deny service connection or deny a request for an increased rating, the veteran may appeal the denial decision to the Board of Veterans' Appeals (BVA), provided the veteran notifies the Department of his or her disagreement with the decision within one year of the date of notification of the decision. (The enactment of Division A of Public Law 100–687, the "Veterans' Judical Review Act," created a further avenue of appeal of final decisions of the BVA to the newly created Court of Veterans Appeals.)

The law provides that a case involving a complex or controversial medical issue may be referred to a medical specialist outside of the Department of Veterans Affairs for an advisory opinion. The law also provides that, if service connection for a veteran's disability has been in existence for 10 or more years, service connection may not be severed except in the case of fraud. The law further provides that a disability rated continuously at or above an evaluation for 20 or more years shall not thereafter be rated at a lesser evaluation.

The percentage of disability for a specific disability is assigned in accordance with a "Schedule for Rating Disabilities" which is used as the guideline for measuring the degree of disability. Compensation is paid for disabilities at ratings of 10 percent, 20 percent, 30 percent, and so forth up to 100 percent. The amount of compensation payable for each percentage of disability is established by law. Additional compensation is payable for the loss of a limb, blindness, and other severe disabilities. Additional dependency allowance is payable to veterans with a rating of 30 percent or more for a spouse, minor children, or dependent parents.

DEPENDENCY AND INDEMNITY COMPENSATION FOR SURVIVORS OF VETERANS WHO HAVE DIED OF SERVICE-CONNECTED CAUSES

As of June 1, 1989, there were 272,386 spouses and 41,867 children receiving dependency and indemnity compensation (DIC). These are the survivors of more than 300,000 veterans who either died in service or who died of service-incurred causes. About $2.33 billion is expected to be paid in fiscal year 1990 to the survivors. Widows and children of veterans who died of causes determined to be service-connected are entitled to receive monthly DIC.

The purpose of this benefit is to provide partial compensation to the designated survivors for the loss in financial support sustained as the result of the service-connected

death. Income and need are not factors in determining a surviving spouse's or child's entitlement since the Nation assumes, in part, the legal and moral obligation of the veteran to support the spouse and children. Payments of DIC for surviving spouses are determined on the basis of the veteran's service pay-grade and range from $539 for the surviving spouse of an E–1 to $1,381 for the surviving spouse of an O–10. Surviving spouses are entitled to an additional $62 for each child.

There is an additional allowance of $161 monthly which is payable to eligible surviving spouses who are patients in a nursing home or who are in need of the regular aid and attendance of another person.

Surviving spouses qualified for DIC who are not so disabled as to require the regular aid and attendance of another person but who, due to disability, are permanently housebound, may be granted a special allowance of $79 monthly in addition to the DIC rate otherwise payable.

If there is no surviving spouse receiving dependency and indemnity compensation benefits but there is a surviving child, the child is entitled to $271 monthly with additional benefits for other children.

When a service-connected disability is found to be the principal or contributory cause of death, such death is considered to be service connected. These determinations are made on a very liberal basis. For example, there are disabilities which by their very nature are so overwhelming that eventual death can be anticipated irrespective of coexisting conditions. Even though such a disability is nonservice- connected and is the primary cause of death, consideration is given to whether the co-existing service-connected conditions were of such severity as to have been a material influence in accelerating death. Where death had been so accelerated, it will be considered service connected. The death of any veteran whose service-connected disabilities were the primary cause of death or contributed materially in producing death would, of course, render the survivor basically eligible for service-connected death benefits.

The same benefits provided for those entitled to DIC are also payable to surviving spouses or children of certain veterans whose deaths are not service-connected but who, at death, had been in receipt of total (100 percent) ratings for service-connected disabilities. It is necessary for entitlement under this provision that the 100 percent rating have been in effect continuously for at least ten years at death; or continuously since service and for at least five years. A surviving spouse must have been married to a veteran for at least two years at the time of death before entitlement exists.

The following table shows by war period the number of surviving spouses and children of service-connected veterans in receipt of survivors' death benefits:

ACTIVE DEPENDENCY AND INDEMNITY COMPENSATION CASES

	DIC BENEFICIARIES		
	Total	Spouses	Children
Total	314,073	272,386	41,687
World War I	16,065	15,304	761
World War II	127,032	122,624	4,408
Korean Conflict	31,727	29,892	1,835
Vietnam era	80,766	60,318	20,448
Spanish/American War	54	41	13
Mexican border period	1	1	0
Indian War	0	0	0
Civil War	1	0	1
Regular Establishment (June 1, 1989)	57,643	43,260	14,383

PERCENT OF INCREASE IN COMPENSATION RATES

Historically, the Congress has increased compensation rates whenever there has been an appreciable increase in the cost-of-living index, since the rates are not indexed to the Consumer Price Index by law. This is necessary to ensure that inflation does not erode the purchasing power of those receiving compensation and DIC benefits.

From December 1945 through August 1989, the cumulative increase in the Consumer Price Index (CPI) was 584.8 percent. During the same period, the cumulative increase in the compensation rate paid for the totally and permanently disabled service-connected unmarried veteran has been 1176.5 percent.

DISCUSSION OF THE PROPOSED COMPENSATION AND DEPENDENCY AND INDEMNITY COMPENSATION RATE ADJUSTMENTS

Sections 2 through 7 of H.R. 1335 would provide, effective December 1, 1989, a 4.9 percent cost-of-living adjustment in the rates of compensation and dependency and indemnity compensation.

As indicated earlier, the Administration proposed indexing these rates to the annual adjustment in the consumer price index in the same manner as the non-service-connected pension program and social security. The Committee does not believe such action would be in the best interest of veterans. It is extremely important that the rate increases for compensation and DIC be legislated on a periodic basis by the Congress rather than being tied directly to changes in the CPI. It is argued that indexing the rates of compensation and DIC would obviate the need for annual Congressional action. However, this would remove from the Congressional arsenal a vehicle through which periodic and necessary improvements to the programs may be made. Furthermore, there is precedent for the Congress enacting a higher increase than would otherwise have resulted through indexing. For example, in enacting Public Law 99-576, effective December 1, 1986, the Congress pro-

vided a 1.5 percent increase for these service-connected benefits rather than the 1.3 percent increase reflected by the change in the CPI that would otherwise have resulted. Similarly, Public Law 100–687, effective December 1, 1988, provided a 4.1 percent increase while the change in the CPI was 4.0 percent. For these reasons, the Committee has rejected the Administration's indexing proposal.

Should the proposed 4.9 percent rate increase be enacted, the changes in compensation and DIC rates effective December 1, 1989 would be as follows:

COMPENSATION AND DIC RATES EFFECTIVE DECEMBER 1, 1989

		Increase (monthly rate)	
		From	To
Percentage of disability or subsection under which payment is authorized:			
(a)	10 percent	$73	$76
(b)	20 percent	138	144
(c)	30 percent	210	220
(d)	40 percent	300	314
(e)	50 percent	426	446
(f)	60 percent	537	563
(g)	70 percent	678	711
(h)	80 percent	784	822
(i)	90 percent	883	926
(j)	100 percent	1,468	1,539
Higher statutory awards for certain multiple disabilities:			
(k)	(1) Additional monthly payment for anatomical loss, or loss of use of, any of these organs: one foot, one hand, blindness in one eye (having light perception only), one or more creative organs, both buttocks, organic aphonia (with constant inability to communicate by speech), deafness of both ears (having absence of air and bone conduction)—for each loss.	63	66
	(2) Limit for veterans receiving payments under (a) to (j) above	1,825	1,914
	(3) Limit for veterans receiving benefits under (l) to (n) below	2,559	2,684
(l)	Anatomical loss or loss of use of both feet, one foot and one hand, blindness in both eyes (5/200) visual acuity or less), permanently bedridden or so helpless as to require aid and attendance.	1,825	1,914
(m)	Anatomical loss or loss of use of both hands, or of both legs, at a level preventing natural knee action with prosthesis in place or of 1 arm and 1 leg at a level preventing natural knee or elbow action with prosthesis in place or blind in both eyes, either with light perception only or rendering veteran so helpless as to require aid and attendance.	2,012	2,110
Percentage of disability or subsection under which payment is authorized:			
(n)	Anatomical loss of both eyes or blindness with no light perception or loss of use of both arms at a level preventing natural elbow action with prosthesis in place or anatomical loss of both legs so near hip as to prevent use of prosthesis, or anatomical loss of 1 arm and 1 leg so near shoulder and hip to prevent use of prosthesis.	2,289	2,401
(o)	Disability under conditions entitling veterans to two or more of the rates provided in (1) through (n), no condition being considered twice in the determination, or deafness rated at 60 percent or more (impairment of either or both ears service-connected) in combination with total blindness (5/200 visual acuity or less) or deafness rated at 40 percent or total deafness in one ear (impairment of either or both ears service-connected) in combination with blindness having light perception only or anatomical loss of both arms so near the shoulder as to prevent use of prosthesis.	2,559	2,684

COMPENSATION AND DIC RATES EFFECTIVE DECEMBER 1, 1989—Continued

		Increase (monthly rate)	
		From	To
(p)	(1) If disabilities exceed requirements of any rates prescribed, Administrator of VA may allow next higher rate or an intermediate rate, but in no case may compensation exceed.	2,559	2,684
	(2) Blindness in both eyes (with 5/200 visual acuity or less) together with (a) bilateral deafness rated at 30 percent or more disabling (impairment of either or both ears service-connected) next higher rate is payable, or (b) service-connected total deafness of one ear or service-connected loss or loss of use of an extremity the next intermediate rate is payable, but in no event may compensation exceed.	2,559	2,684
	(3) Blindness with only light perception or less with bilateral deafness (hearing imnpairment in either one or both ears is service-connected) rated at 10 or 20 percent disabling, the next intermediate rate is payable, but in no event may compensation exceed.	2,559	2,684
	(4) Anatomical loss or loss of use of three extremities, the next higher rate in paragraphs (l) to (n) but in no event in excess of.	2,559	2,684
(q)	[This subsection repealed by Public Law 90–493.]		
(r)	(1) If veteran entitled to compensation under (o) or to the maximum rate under (p); or at the rate between subsections (n) and (o) and under subsection (k), and is in need of regular aid and attendance, he shall receive a special allowance of the amount indicated at right for aid and attendance in addition to such rates.	1,098	1,151
	(2) If the veteran, in addition to need for regular aid and attendance is in need of a higher level of care, a special allowance of the amount indicated at right is payable in addition to (o) or (p) rate.	1,636	1,716
(s)	Disability rated as total, plus additional disability independently ratable at 60 percent or over, or permanently housebound.	1,643	1,723
(t)	[This subsection repealed by Public Law 99–576.]		

In addition to basic compensation rates and/or statutory awards to which the veteran may be entitled, dependency allowances are payable to veterans who are rated at not less than 30 percent disabled. The rates which follow are those payable to veterans while rated totally disabled. If the veteran is rated 30, 40, 50, 60, 70, 80 or 90 percent disabled, dependency allowances are payable in an amount bearing the same ratio to the amount specified below as the degree of disability bears to total disability. For example, a veteran who is 50 percent disabled receives 50 percent of the amounts which appear below.

	Increase (monthly rate)	
	From	To
If and while veteran is rated totally disabled and—		
Has a spouse	$88	$92
Has a spouse and child	148	155
Has no spouse, 1 child	61	63
For each additional child	46	48
For each dependent parent	71	74
For each child age 18–22 attending school	136	142

	Increase (monthly rate)	
	From	To
Has a spouse in nursing home or severely disabled	161	168

The following increases are provided for surviving spouses of deceased veterans whose deaths are service-connected and who are receiving dependency and indemnity compensation (DIC) payments.

Pay grade	Increase (monthly rate)	
	From	To
E–1	$539	$565
E–2	555	582
E–3	570	597
E–4	606	635
E–5	622	652
E–6	636	667
E–7	667	699
E–8	704	738
E–9	[1] 735	[1] 771
W–1	682	715
W–2	709	743
W–3	730	765
W–4	773	810
O–1	682	715
O–2	704	738
O–3	754	790
O–4	797	836
O–5	879	922
O–6	991	1,039
O–7	1,071	1,123
O–8	1,174	1,231
O–9	1,259	1,320
O–10	[2] 1,381	[2] 1,448

[1] If the veteran served as Sergeant Major of the Army, Senior Enlisted Advisor of the Navy, Chief Master Sergeant of the Air Force, Sergeant Major of the Marine Corps, or Master Chief Petty Officer of the Coast Guard, at the applicable time designated by section 402 of this title, the surviving spouse's rate shall be $832.

[2] If the veteran served as Chairman or Vice-Chairman of the Joint Chiefs of Staff, Chief of Staff of the Army, Chief of Naval Operations, Chief of Staff of the Air Force, Commandant of the Marine Corps or Comandant of the Coast Guard, at the applicable time designated by section 402 of this title, the surviving spouse's rate shall be $1,552.

When there is no surviving spouse receiving dependency and indemnity compensation, payment is made in equal shares to the children of the deceased veteran. These rates are increased as follows.

	Increase (monthly rate)	
	From	To
One child	$271	$284
Two children	391	410
Three children	505	529
Each additional child	100	104

Background of Collocation of Department of Veterans Affairs Regional Offices with DVA Medical Centers

The Department of Veterans Affairs maintains a total of 58 regional offices including at least one regional office in each state, the District of Columbia and Puerto Rico, as mandated by law. Through these regional offices, the Veterans Benefits Administration (VBA) of the Department of Veterans Affairs, administers compensation, pension, education, home loan guaranty and other benefit programs for veterans, their dependents, and their survivors.

Unlike medical centers, which are customarily owned by the Department, a regional office is typically located in a Federal office building or privately owned commercial office building. A tenant in both types of buildings, the Department pays rent for office space which is utilized as a regional office. For office space which is occupied in Federal office buildings, the DVA is required to pay fair-market rent to the General Services Administration. As a tenant, DVA must rely on the building landlord to correct deficiencies and make needed improvements which include repair of elevators, improvements in security, removal of potential hazardous conditions and materials, elimination of insect infestations, provision of adequate ventilation, heating and cooling, and the correction of conditions which are detrimental to employee health and safety and a productive office environment. In many cases, the landlord has been slow to respond and, frequently, the responses have been unsatisfactory.

DEPARTMENT COLLOCATION ACTIVITIES

In 1983, the VBA requested the Department of Medicine and Surgery (DMS) to survey all medical centers to determine if suitable land was available for the construction of a regional office or if buildings satisfactory for housing VBA activities were available. As a result of this survey, a total of 28 locations were identified where collocation was possible. Of these sites, 25 were to receive further consideration for major construction projects needed to accommodate a regional office. The other 3 locations did not receive consideration for major construction because the estimated cost of construction or renovation required to house a collocated regional office was estimated to be less than $2 million in two instances and collocation was deemed to be infeasible and impractical in one instance.

In December, 1983, the Committee was notified that 25 regional offices had been identified for potential collocation. A timetable was developed for the inclusion of all 25 of these collocation projects in the VBA major construction budgets during fiscal years 1986—1990.

Because of the lack of progress made by the Department in implementing its 1983 collocation plan, in 1986 Congress enacted Section 502 of Public Law 99-576, the Veterans'

Benefits Improvement and Health-care Authorization Act of 1986. This provision sought to encourage the collocation of regional offices onto grounds of medical centers by requiring the Administrator of Veterans' Affairs to submit by March 1, 1987, a plan including a schedule for collocating at least seven regional offices onto the grounds of medical centers.

On April 3, 1987, the collocation report required by Public Law 99-576 was submitted. The report however, contained only five collocation projects. Of these five, one project (Little Rock) was already in progress and a second (Wichita) had already been proposed in the budget submitted for fiscal year 1988. One additional collocation in each of fiscal years 1989, 1990, and 1991 was also tentatively proposed in this report.

On May 14, 1987, the report required by Public Law 99-576 and regional office conditions were reviewed during a hearing conducted by the Subcommittee on Oversight and Investigations. In spite of the obvious lack of progress which had been made, a VA representative testified the VA was "progressing positively toward a successful program of collocating regional offices on agency grounds . . . "

The Committee understands the Department has developed yet another collocation "plan". This plan, at least the third such plan developed in the last six years, proposes collocating twenty-one regional offices with medical centers between 1991 and the year 2000. This plan does not contain the collocation of the New York regional office, previously scheduled to be collocated in 1987, or the Jackson regional office. Under this plan the Los Angeles regional office, previously scheduled to be collocated in 1988, would not be collocated until 1999, and the St. Petersburg regional office would not be collocated until 1992, instead of 1988 as was proposed in 1983. This new plan further delays the collocation of regional offices with medical centers and is unacceptable to the Committee.

INCREASED FEDERAL SPENDING: ONE CONSEQUENCE OF THE FAILURE TO COLLOCATE

Because only two of the twenty-eight regional offices identified for possible collocation by the VA in 1983 have been collocated as of September 1989, Department regional office rental costs have and are continuing to increase significantly.

The total annual rent paid by DVA for regional office space is considerable. For fiscal year 1987, the Department reported spending $44.48 million to rent office space for 50 regional offices, 34 of which were located in federal office buildings. For the following year, fiscal year 1988, the Department reported spending $51.9 million for regional office rents, a one year rent increase of $7.42 million. For fiscal year 1990, Department regional office rent costs are

expected to be $54.66 million, a $10.18 million, 22.3 percent, increase in four years. This already significant cost of DVA regional office rent is expected to continue to increase substantially in future years as current long-term, lower-cost leases expire and significantly higher annual lease rates become effective

In some locations, collocation has not been pursued because of presumed economic advantages of continued renting. This strategy has proven to be penny-wise and pound foolish, however. For example, although Houston, Texas, in recent years has generally been believed to be a "renter's market" with the supply of rental office space expected to exceed demand, rent paid by the DVA for the Houston regional office has escalated rapidly. From fiscal year 1987 to fiscal year 1988, the annual rent for the Houston regional office increased by 17.6 percent to an annual cost of $1,369,000.

In May, 1985, representatives of the Veterans Administration told the Subcommittee on Oversight and Investigations, "We, like you, have a great concern about the amount of rent that we are paying . . . Our annual cost for rent is now approaching the huge sum of $50 million. This is a 52-percent increase since 1980, even though we in the agency have been actively participating in the space reduction program."

Four years later, in conjunction with a Full Committee hearing conducted on February 7, 1989, the Department told the Committee, "The VA does not prefer to continue to pay massive amounts of rent for space that is in less than first class condition. Admittedly, not all facilities rented by the VA for regional offices are in good repair and completely satisfactory to our standards for sound operating environments. Generally, the principal areas of concern involve inadequate heating, ventilation and air conditioning." Most DVB facilities are leased from GSA. As such, it is GSA's responsibility to assure the condition of the physical plant.

THE NEED FOR COLLOCATION

The Department has recognized the unsatisfactory and unacceptable nature of working conditions found in some regional offices. In February 1989, the Department reported, "[n]ot all facilities rented by the VA for regional offices are in good repair and completely satisfactory to our standards for sound operating environments. Generally, the principal areas of concern involve inadequate heating, ventilation and air conditioning of our office areas. In addition, we continue to experience delays in some renovation and alterations projects which adversely impact our ability to operate in an efficient manner. In order to correct these deficiencies, we continually work with the General Services Administration to rectify and improve out-of-line conditions."

As examples of unsatisfactory regional office conditions, in June 1988, the Department reported the following:

St. Petersburg, Florida Regional Office—William Cramer Federal Building

"Rodent infestation, custodial services, physical security of building, elevator maintenance and telephone installation have been points of difficulty to varying degrees since 1983. Until recently all other tenants were relocated to other sites in the Tampa/St. Petersburg area. A Military Entrance Processing Center was recently relocated to this building because the building they previously occupied was sinking into the Florida landscape. The Cramer Federal Building has been cited by the VA Inspector General's Office as being inadequate for VA operations . . . "

Jackson, Mississippi Regional Office

Located in what is known as the "B" section of the second floor of the Dr. A.H. McCoy Federal Building, VA elements, "have inadequate air treatment (extreme cold in winter and heat in summer) because of the building design. After many discussions with and letters to GSA, the only acceptable solution is the relocation of the VA activities. The problem is the lack of available space to relocate within the federal building."

The Committee believes collocation of the Houston, TX; St. Petersburg, FL; Jackson, MS; New York, NY; Columbia, SC; Los Angeles, CA; and Montgomery, AL regional offices is a high priority. The collocation of these regional offices is expected to yield immediate benefits and savings to the Department, yet, the latest "plan" would not collocate Houston until 1994; St. Petersburg, 1992; Columbia, 1993; Montgomery, 1991 and Los Angeles, 1999. It would appear that collocation of the Jackson and New York regional offices are not contained in the latest plan. The Committee expects the Secretary to direct the Veterans Benefits Administration to revise the collocation schedule and advance the dates for these seven projects.

BENEFITS OF COLLOCATION

While Department experience with collocation has been limited, this limited experience has proven to be highly beneficial. The Department has reported, " . . . in Little Rock, Arkansas, we have experienced immediate benefits in the reduction of rent costs and shorter response time for adjudication of cases requiring medical reviews and/or examination. In addition, collocation has virtually eliminated mail delays and has afforded the opportunity for establishing a closer working relationship between the medical staff and adjudication division personnel, thus facilitating consultations during comprehensive reviews and assessment of medical information related to veteran claims."

By collocating DVA regional offices onto medical center grounds, significant benefits are expected to be realized, lead by improvement in services provided to veterans. For example, medical examinations are essential to the adjudication of benefit claims. Examination facilities become much more accessible to a regional office when the regional office and medical center are located on the same property. As a direct result of collocation, veterans may also realize improvements in access, convenience, proximity, parking, and transportation alternatives.

In addition to these advantages for veterans, reduced government spending and significant long-term savings are also expected from collocation. Buildings designed and constructed specifically for use as a regional office can provide important increases in operational efficiencies not possible when other facilities are used to house regional office activities. Costly and rapidly escalating rents would also be eliminated by using agency owned and controlled buildings constructed on agency owned property.

The magnitude of the savings possible with collocation are indicated by the following:

In 1985, the VA testified the agency's annual cost for rent was approaching $50 million, a 52 percent increase since 1980. This massive increase in regional office rental cost occurred even though the agency had been actively participating in a space reduction program and the amount of office space being used had been reduced.

The DVA has reported annual rent increases of 10 percent or more for many VA regional offices and a one year rent increase of more than 30 percent has been reported.

The DVA will pay more than $4 million annually to rent office space for the Los Angeles regional office. A new regional office, collocated on the grounds of the VA medical center, could be constructed for an estimated $28.4 million.

The siting of Department of Veterans Affairs regional offices on the grounds of medical centers can offer additional opportunities to reduce spending which otherwise would not be available. The joint use, when feasible, of essential services such as janitorial and security services by a collocated regional office and medical center can provide economies not available to either facility separately while the quality of services provided to veterans can also be improved. These savings can be achieved if the collocated regional office and medical center are administered independently by separate directors or if the medical center and regional office are administered by a single director.

OBSTACLES TO COLLOCATION

One major obstacle to collocation has been the federal budget deficit. Although collocation can reduce costs, improve the delivery of services and provide better, safer employee working conditions, collocation projects have rarely been included in the budget because of competing con-

struction priorities and budgetary constraints. A traditional collocation project would require inclusion of the total project construction cost in the budget. Because of the lack of capital budget, this cost would be considered to be an expenditure, not a capital investment capable of reducing future costs.

A proposal to collocate a DVA regional office onto the grounds of a medical center is subject to review and analysis by both the Department of Veterans Affairs and the General Services Administration. As required by the Office of Management and Budget, the DVA conducts an economic cost analysis (ECA) which is known as an A-104 analysis. This economic analysis provides a comparison of costs associated with various options. These options include the leasing of commercial office space for use as a DVA regional office, construction of a new regional office, or renovation of an existing Department owned building for use as a regional office.

As landlord for the federal government, the General Services Administration evaluates the potential impact of DVA regional office collocation on the inventory of office space which is controlled and managed by GSA. The objective of this analysis is to determine whether space occupied by DVA and proposed to be vacated can be used by other Federal agencies. GSA can express a reservation to the proposed collocation or state that it has no objection to the proposal. When GSA expresses a reservation the collocation is, in effect, prohibited.

GSA space management considerations, unrelated to the goal of providing better service to veterans, have repeatedly, if not indefinitely, delayed regional office collocation. In July, 1986, and February, 1987, for example, GSA was asked to evaluate 11 VA collocation projects. GSA expressed "major reservations" to five (45 percent) of these projects. According to GSA, these reservations were primarily due to GSA being unlikely or unable to secure another occupant for the office space being proposed to be vacated by a DVA regional office.

Discussion of Bill Provisions on Collocation

Section 8 of H.R. 1335 would amend section 230 of title 38, United States Code, by adding a new subsection (designated as subsection (c)), that would require the Secretary of Veterans Affairs to take action to collocate at least three, but not more than seven, DVA regional offices with DVA medical centers.

The Secretary would be authorized to lease property on medical center grounds, or property adjacent to medical centers under the jurisdiction of the Department, to private parties for up to 35 years. The Secretary would be authorized to enter into lease agreements for new office facilities to be constructed on the leased property by the private parties. The term of any such lease would be limited

to 35 years and the lease would have to contain a provision stating that ownership of the leased facility would vest in the United States at the end of the lease term.

The Secretary would also be authorized to sublease portions of the facility to other parties at a rate not less than the rate provided in the facility lease agreement. Amounts received by the Secretary would be required to be used to defray the cost of the lease of the facility.

The Secretary would be required, within 90 days after enactment of the Act, to issue a request for proposals, with various required information included, for three collocations and, within one year after issuance of the request, the Secretary would be required to enter into an agreement to carry out three collocations, unless a determination is made that it is not economically feasible for the Department to undertake them. The Secretary would be required to furnish the House and Senate Committees on Veterans' Affairs with copies of the request for proposals, as well as the agreement for the collocation project at least 30 days prior to the issuance of the request or 30 days before entering into the contract, as the case may be.

The authority of the Secretary to enter into an agreement under this new subsection would expire on October 1, 1992.

Section-by-Section Analysis of H.R. 1335

Section 1 states that this Act may be cited as the Veterans' Compensation Amendments of 1989.

Section 2 would amend present section 314 of title 38, relating to the rates of service-connected disability compensation.

Subsection (a) of section 2 would amend subsections (a) through (j) of present section 314 to increase by 4.9 percent the basic monthly rates of compensation paid to veterans with service-connected disabilities rated from 10 to 100 percent. The Committee bill would also increase by 4.9 percent:

The limitations on the total amount payable monthly to a veteran entitled to compensation under subsection (k) who is also entitled to compensation under another subsection of present section 314;

The higher monthly rates of compensation authorized under subsections (l) through (o) and (s) of section 314 for veterans with certain combinations of severe disabilities;

The maximum amount payable monthly to a veteran under subsection (p), which authorizes the Secretary to pay the next higher rate or intermediate rate to a veteran whose disabilities exceed the requirements for any of the rates prescribed in section 314, or who is both blind and deaf;

The rates payable monthly under subsection (r) to veterans who are in need of aid and attendance; and

The rate payable under subsection (s) to veterans who are permanently housebound.

Subsection (b) of section 2 would authorize the Secretary to increase by 4.9 percent the rates of disability compensation payable to persons within the purview of section 10 of Public Law 85–857 who are not in receipt of compensation payable pursuant to chapter 11 of title 38. Public Law 85–857 generally codified in title 38 of the United States Code the law relating to veterans' benefits; section 10 of that law provides that any person who was receiving benefits as a veteran on December 31, 1958, under public laws administered by the VA but not so codified, is to continue to receive benefits at the rates payable under such public laws or under corresponding provisions of title 38, whichever is the greater, so long as he or she remains eligible.

Section 3 would amend paragraph (1) of present section 315 of title 38, relating to additional compensation payable monthly to veterans with service-connected disabilities rated as 30 percent or more disabling who have spouses, children, or dependent parents, to increase those allowances by 4.9 percent. Under paragraph (2) of present section 315, which is not amended by the Committee bill, the additional compensation payable for dependents to veterans rated from 30- to 90-percent disabled is prorated, so that, for example, a veteran rated at 30 percent receives 30 percent of that amount specified in paragraph (1) of section 315.

Section 4 would amend present section 362 of title 38, relating to the clothing allowance payable annually to a veteran receiving compensation whose disability requires the use of a prosthetic or orthopedic appliance or appliances, including a wheelchair, that tends to wear out or tear the veteran's clothing, to increase that allowance by 4.9 percent.

Section 5 would amend present section 411 of title 38, relating to the rates of dependency and indemnity compensation (DIC) for the surviving spouses of veterans whose deaths are service connected.

Clause (1) of section 5 would amend subsection (a) of present section 411 to increase by 4.9 percent the DIC benefit payable monthly to the surviving spouse of a veteran who has died as a result of service-connected disability. Under current law, a surviving spouse's DIC is paid according to the pay grade—service rank—of the deceased veteran. The DIC rate payable to the surviving spouses of veterans who had attained the grades of E–1 through 0–10 would be increased by 4.9 percent, and proportionate increases would be provided in the rates payable to the surviving spouses of veterans who had served in the positions specified in footnotes 1 and 2 to the table of grades and rates in existing section 411.

The enactment of these increases would automatically result in identical increases in the benefits payable at DIC rates under section 418 of title 38 to surviving spouses of

certain veterans compensated at the 100-percent rate whose deaths were not service connected.

Clause (2) of section 5 would amend subsection (b) of present section 411 to increase by 4.9 percent the dependents' allowance for each child under the age of 18 to a surviving spouse receiving DIC.

Clause (3) of section 5 would amend subsection (c) of present section 411 to increase by 4.9 percent the additional amount of DIC payable monthly to a surviving spouse who is a patient in a nursing home or who is helpless or blind or so nearly helpless or blind as to be in need of regular aid and attendance.

Clause (4) of section 5 would amend subsection (d) of present section 411 to increase by 4.9 percent the DIC payable monthly to a surviving spouse who is so disabled as to be permanently housebound.

Section 6 subsection (a) of section 6 would amend present section 413 of title 38, relating to DIC for surviving children of veterans whose deaths were service-connected, to provide a 4.9 percent increase in the monthly rates of DIC payable to the veteran's children where no surviving spouse is entitled.

Benefits payable at DIC rates under section 418 of title 38 to the surviving children of certain veterans compensated at the 100 percent rate whose deaths were not service connected would also be automatically increased as a result of this increase under section 413.

Subsection (b) of section 6 would amend present section 414 of title 38, relating to supplemental DIC for certain surviving children.

Paragraph (1) of subsection (b) would amend subsection (a) of present section 414 to provide a 4.9 percent increase in the additional allowance payable monthly to a child eligible for DIC who has attained the age of 18 and who became permanently incapable of self-support before reaching age 18.

Paragraph (2) of subsection (b) would amend subsection (b) of present section 414 to provide a 4.9 percent increase in the DIC payable monthly, concurrently with the payment of DIC to a surviving spouse, to a surviving child who has attained the age of 18 and who became permanently incapable of self-support before reaching age 18.

Paragraph (3) of subsection (b) would amend subsection (c) of present section 414 to provide a 4.9 percent increase in the additional DIC payable monthly, concurrently with the payment of DIC to a surviving spouse, to a surviving child pursuing a course of education approved under present section 104 of title 38.

Section 7 would provide that the amendments made by sections 2 through 6 shall take effect on December 1, 1989.

Section 8 would add a new subsection (designated as subsection (c)) to section 230 of title 38 as follows:

Paragraph (1) of proposed subsection (c) would require the Secretary of Veterans Affairs to provide for the collo-

cation of at least three, and not more than seven, regional offices with DVA medical centers on the sites occupied by the medical centers or on property under the jurisdiction of the DVA which is adjacent to such centers.

Paragraph (2) of proposed subsection (c) would authorize the Secretary to lease portions of these properties to other parties, with or without compensation, for up to 35 years; provides that these properties be used as the site of facilities constructed and owned by the lessee of each property, which in turn would be leased to the Department as office space for the regional office concerned and for other appropriate activities.

Paragraph (3) of proposed subsection (c) would authorize the Secretary to enter into a lease for the use of the facilities described in proposed paragraph (2) for not more than 35 years and would require that any such lease include a provision that ownership of the facility shall vest in the United States at the end of the lease.

Paragraph (4) of proposed subsection (c) would authorize the Secretary to sublease space in the new facilities to other parties with requirements that the rental rate equal that being paid by the Secretary plus costs for administering the facilities which are attributable to such space, with provisions included relating to default and nonperformance as the Secretary considers appropriate to protect the interests of the United States.

Paragraph (5) of proposed subsection (c) would require the Secretary to use the proceeds of any sublease to defray the cost of the lease of the facility concerned.

Paragraph (6) of proposed subsection (c) would require the Secretary, within 90 days of enactment of this Act, to issue a request for proposals with respect to the three collocations to be carried out under subsection (c). Such requests would be required to include, at least, the identification of the site to be developed; the minimum office space requirements for regional office activities; design criteria for the facility; a plan for meeting security and parking needs; a statement of current and projected rents and other costs for regional office activities; estimated costs of construction, annual lease costs and total annual costs for leasing all space in the facilities; a plan for securing appropriate licenses, easements, and rights of way; and a list of terms and conditions for inclusion in lease agreements. The Secretary would also be required, subject to notification requirements involving the House and Senate Committees on Veterans' Affairs, to enter into an agreement to carry out three collocations within one year after issuance of the request for proposals unless the Secretary determines that it is not economically feasible to undertake them. The Secretary would be required to provide, at least 30 days prior to the issuance of the request for proposals, and at least 30 days before entering into an agreement to carry out the collocation, copies of such request for propos-

als and the proposal selected by the Secretary, to the Committees on Veterans' Affairs.

Paragraph (7) of proposed subsection (c) would provide that the authority to enter into an agreement under such subsection shall expire on October 1, 1992.

Oversight Findings

No oversight findings have been submitted to the Committee by the Committee on Government Operations.

Budget Statement

The following letter was received from the Congressional Budget Office concerning the cost of the reported bill.

Congressional Budget Office,
Washington, D.C., Sept. 20, 1989.

Hon. G.V. (Sonny) Montgomery, *Chairman,*
Committee on Veterans Affairs,
U.S. House of Representatives,
Washington, D.C.

Dear Mr. Chairman: The Congressional Budget Office has prepared the attached cost estimate for H.R. 1335, a bill to increase the rates of disability compensation and dependency and indemnity compensation, as ordered reported by the House Committee on Veterans' Affairs, September 20, 1989.

If you wish further details on this estimate, we will be pleased to provide them.

Sincerely,

Robert D. Reischauer,
Director.

Congressional Budget Office Cost Estimate

1. Bill number: H.R. 1335

2. Bill title: Veterans' Compensation Amendments of 1989.

3. Bill status: As ordered reported by the House Committee on Veterans' Affairs, September 20, 1989.

4. Bill purpose: To increase rates of disability compensation and dependency and indemnity compensation (DIC), and for other purposes.

5. Estimated cost to Federal Government:

[By fiscal years, in millions of dollars]

	1990	1991	1992	1993	1994
Budget authority	440	524	521	518	515
Estimated authorization level	1	0	0	0	0
Outlays	398	525	521	518	516

The cost of this bill would fall in budget function 700.

Basis of Estimate—The following section-by-section cost analysis addresses only those sections of the bill that could be expected to have a significant budgetary impact.

Sections 1 through 7.—These sections would increase the monthly rates of disability compensation and of dependency and indemnity compensation (DIC) by 4.9 percent, except that in calculating the new rates all amounts of less than a dollar were rounded down to the next lower dollar. This increase in benefits would include an increase in the rate payable under paragraph k, section 314, title 38, U.S.C.

[By fiscal years, in millions of dollars]

	1990	1991	1992	1993	1994
Budget authority	440	524	521	518	515
Outlays	397	525	521	518	516

This estimate was calculated by multiplying the average costs in each year for all disability compensation cases and for all DIC cases by the COLA percentage. The resulting average increase in costs per year were then multiplied by the estimated number of cases in each program each year to calculate the annual cost. Future average cost and caseload levels were projected according to historical trends for recipients by period of service.

The effect of rounding down the benefit calculation was estimated by determining the payment rates that otherwise would have been rounded up. The sum of the payments made at each affected rate was then multiplied by the loss of $1 per month. The cost of the COLA was reduced by the resulting amount.

Section 8.—This section would require the Secretary of Veterans Affairs to contract for the development of plans to relocate three VA regional offices to the grounds of VA medical centers. The Secretary would be further required to sign contracts to implement three relocations within one year of enactment of the bill. The new buildings needed to house the regional offices on the medical center grounds could be constructed by the VA or privately under lease-purchase agreements.

[By fiscal years, in millions of dollars]

	1990	1991	1992	1993	1994
Estimated authorization level	1	0	0	0	0
Outlays	1	0	0	0	0

Based on the cost of similar activities, the three contracts for the development of relocation plans are estimated to cost approximately $250,000 each, for a total cost in 1990 of around $750,000.

The selection of regional offices to be relocated has not yet been made, nor has it been determined whether the VA would build the new facilities or contract for their construction through lease-purchase agreements. Until these decisions have been made, it is not possible to estimate the cost of this measure with any degree of certainty, beyond the initial cost of the three relocation plans.

6. Estimated cost to State and local government:

The Congressional Budget Office has determined that the budgets of state and local governments would not be significantly affected by the enactment of this bill.

7. Estimated comparison: None.

8. Previous CBO estimate: None.

9. Estimate prepared by: K.W. Shepherd (226–2820).

10. Estimate approved by:

JAMES L. BLUM,
Assistant Director for Budget Analysis.

INFLATIONARY IMPACT STATEMENT

The enactment of the reported bill would have no inflationary impact.

DEPARTMENT VIEWS

The following excerpts were taken from the testimony of Mr. R.J. Vogel, Chief Benefits Director of the Department of Veterans Affairs on H.R. 1335 as introduced:

STATEMENT OF R.J. VOGEL, CHIEF BENEFITS DIRECTOR, DEPARTMENT OF VETERANS AFFAIRS, BEFORE THE SUBCOMMITTEE ON COMPENSATION, PENSION AND INSURANCE, COMMITTEE ON VETERANS' AFFAIRS, APRIL 5, 1989

H.R. 1335 would provide increases in the rates of compensation for service-disabled veterans and of dependency and indemnity compensation (DIC) for the survivors of veterans who die as a result of service. The rate of increase is 4.9 percent.

The Administration strongly supports COLAs for these most deserving beneficiaries. We believe, however, that the Committee should reconsider the Administration's proposal—currently embodied in H.R. 1397—to index these increases to the Consumer Price Index (CPI), as the Congress has done in the pension program. The President's FY 1990 budget includes a 3.6 percent rate increase, the same as projected for social security and veterans' pension recipients.

Administration of the disability compensation and DIC programs is one of the VA's most important missions. We recognize a duty to recommed periodic adjustments in monthly rates as economic conditions change. In recent years, compensation adjustments have generally been keyed to indexed cost-of-living allowances in Social Security and VA pension. However, these adjustments have not been automatic. Rather, they have been accomplished by

the enactment of separate public laws designed for that purpose, the last being Public Law No. 100–687, approved by President Reagan on November 18, 1988. Since 1973, legislation has been enacted every year but one (1983) granting increases in these benefits to compensate for increases in the cost of living. VA has consistently supported these adjustments.

As you are aware, Mr. Chairman, reliance on separate public laws can result in problems. For example, H.R. 2945, which became Public Law No. 100–227, was not presented to President Reagan until December 22, 1987. Even though the rate increases contained in that law were effective December 1, 1987, the timing of the COLA enactment resulted in beneficiaries not recieving the first increased payments until issuance of the March 1988 checks, due to necessary administrative adjustments.

Tying compensation and DIC rates to the CPI would remove the issue of rate increases from the political arena and shield the determinations from pressures of the annual budget process. It would also save Congress the difficulty of regularly considering new veterans' COLA legislation, as it has been required to do virtually every year for over a decade and twice in the same year in one instance. Finally, it would eliminate COLA delays such as that experienced with Public Law No. 100–227.

While we certainly support granting veterans'-compensation recipients the same annual COLA as that given to veteran pensioners and social security beneficiaries, Mr. Chairman, we believe that indexing makes more sense in ensuring that our disabled veterans will receive timely increases in their benefits. Accordingly, we strongly recommend that H.R. 1397 be adopted rather than H.R. 1335.

VA estimates the cost of H.R. 1335 to be $435,600,000 in fiscal 1990, with a five-year cost of $2.5 billion for fiscal years 1990 through 1994.

H.R. 1335 the "Veterans' Compensation Amendments of 1989", would increase compensation and DIC rates by 4.9 percent, effective December 1, 1989. The cost of this proposal would be:

(Dollars in Thousands)

Fiscal Year	Cost
1990	$ 435,600
1991	521,200
1992	520,200
1993	518,900
1994	517,900
	$2,513,800

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill. H.R. 1335, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

TITLE 38, UNITED STATES CODE

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PART I—GENERAL PROVISIONS

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CHAPTER 3—VETERANS' ADMINISTRATION; OFFICERS AND EMPLOYEES

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SUBCHAPTER III—VETERANS' ADMINISTRATION REGIONAL OFFICES; EMPLOYEES

§ 230. Central and regional offices

(a) * * *

* * * * * * *

(c)(1) To provide for a more economical, efficient, and effective operation of such regional offices, the Secretary shall provide for the collocation of at least three, and not more than seven, regional offices with medical centers of the Department—

(A) on real property under the jurisdiction of the Department of Veterans Affairs at such medical centers; or

(B) on real property that is adjacent to such medical center and is under the jurisdiction of the Department as a result of being conveyed to the United States for the purpose of such collocation.

(2)(A) In carrying out this subsection and notwithstanding any other provision of law, the Secretary may lease, with or without compensation and for a period of not to exceed 35 years, to another party any of the real property described in paragraph (1)(A) or (B) of this subsection.

(B) Such real property shall be used as the site of a facility—

(i) constructed and owned by the lessee of such real property; and

(ii) leased to the Department for use as office space for the regional office concerned and such other appropriate activities as determined by the Secretary, as described in paragraph (3)(A).

(3)(A) The Secretary may enter into a lease for the use of any facility described in paragraph (2)(B) of this subsection for not more than 35 years under such terms and conditions as may be in the best interests of the Department.

(B) Each agreement to lease a facililty under subparagraph (A) of this paragraph shall include a provision that the ownership of such facility shall vest in the United States at the end of such lease.

(4)(A) The Secretary may sublease any space in such a facility to another party at a rate not less than—

(i) the rental rate paid by the Secretary for such space under paragraph (3) of this subsection; plus

(ii) the amount the Secretary pays for the costs of administering such facility (including operation, maintenance, utility, and rehabilitation costs) which are attributable to such space.

(B) In any such sublease, the Secretary shall include such terms relating to default and nonperformance as the Secretary considers appropriate to protect the interests of the United States.

(5) The Secretary shall use the receipts of any payment for the lease of real property under paragraph (2) for the payment of the lease of a facility under paragraph (3).

(6)(A) Subject to subparagraph (C)(i) of this paragraph, the Secretary shall, within 90 days of the date of the enactment of this Act, issue a request for proposals with respect to three collocations to be carried out under this subsection. Such request shall include, with respect to each such collocation, at least—

(i) identification of the site to be developed;

(ii) minimum office space requirements for regional office activities;

(iii) design criteria of the facility to be constructed;

(iv) a plan for meeting the security and parking needs for the facility and its occupants and visitors;

(v) a statement of current and projected rents and other costs for regional office activities;

(vi) the estimated cost of construction of the facility concerned, the estimated annual cost of leasing space for regional office activities in the facility, and the estimated total annual cost of leasing all space in such facility;

(vii) a plan for securing appropriate licenses, easements, and rights of way; and

(viii) a list of terms and conditions the Secretary has approved for inclusion in the lease agreement for the facility concerned.

(B) Subject to subparagraph (C)(ii) of this paragraph, the Secretary shall, within one year after the date on which such request is issued, enter into an agreement to carry out three collocations unless the Secretary determines that it is not economically feasible for the Department of Veterans Affairs to undertake them, taking into consideration all of the tangible and intangible benefits associated with such collocations.

(C) The Secretary shall—

(i) at least 30 days before the issuance or other publication of the request described in subparagraph (A) of this paragraph, transmit a copy of such request to the Committees on Veterans' Affairs of the Senate and of the House of Representatives; and

(ii) at least 30 days before entering into an agreement under subparagraph (B) of this paragraph, transmit a copy of the proposal selected by the Secretary from those received under sub-

paragraph (A) of this paragraph to the Committees on Veterans' Affairs of the Senate and of the House of Representatives.

(7) The authority to enter into an agreement under this subsection shall expire on October 1, 1992.

PART II—GENERAL BENEFITS

* * * * * * *

CHAPTER 11—COMPENSATION FOR SERVICE-CONNECTED DISABILITY OR DEATH

* * * * * * *

SUBCHAPTER II—WARTIME DISABILITY COMPENSATION

* * * * * * *

§ 314. Rates of wartime disability compensation

For the purposes of section 310 of this title—

(a) if and while the disability is rated 10 percent the monthly compensation shall be [$73;] *$76;*

(b) if and while the disability is rated 20 percent the monthly compensation shall be [$138;] *$144;*

(c) if and while the disability is rated 30 percent the monthly compensation shall be [$210;] *$220;*

(d) if and while the disability is rated 40 percent the monthly compensation shall be [$300;] *$314;*

(e) if and while the disability is rated 50 percent the monthly compensation shall be [$426;] *$446;*

(f) if and while the disability is rated 60 percent the monthly compensation shall be [$537;] *$563;*

(g) if and while the disability is rated 70 percent the monthly compensation shall be [$678;] *$711;*

(h) if and while the disability is rated 80 percent the monthly compensation shall be [$784;] *$822;*

(i) if and while the disability is rated 90 percent the monthly compensation shall be [$883;] *$926;*

(j) if and while the disability is rated as total the monthly compensation shall be [$1,468;] *$1,539;*

(k) if the veteran, as the result of service-connected disability, has suffered the anatomical loss or loss of use of one or more creative organs, or one foot, or one hand, or both buttocks, or blindness of one eye, having only light perception, or has suffered complete organic aphonia with constant inability to communicate by speech, or deafness of both ears, having absence of air and bone conduction, the rate of compensation therefor shall be [$63] *$66* per month for each such loss or loss of use independent of any other compensation provided in subsections (a) through (j) or subsection (s) of this section but in no event to exceed [$1,825] *$1,914* per month; and in the event the veteran has suffered one or more of the disabilities heretofore specified in this subsection, in addition to the requirement for any of the rates specified in subsections (*l*) through (n) of this section, the rate of compensation shall be

increased by [$63] *$66* per month for each such loss or loss of use, but in no event to exceed [$2,559] *$2,684* per month;

(*l*) if the veteran, as the result of service-connected disability, has suffered the anatomical loss or loss of use of both feet, or of one hand and one foot, or is blind in both eyes, with 5/200 visual acuity or less, or is permanently bedridden or so helpless as to be in need of regular aid and attendance, the monthly compensation shall be [$1,825;] *$1,914;*

(m) if the veteran, as the result of service-connected disability, has suffered the anatomical loss or loss of use of both hands, or of both legs at a level, or with complications, preventing natural knee action with prostheses in place, or of one arm and one leg at levels, or with complications, preventing natural elbow and knee action with prostheses in place, or has suffered blindness in both eyes having only light perception, or has suffered blindness in both eyes, rendering such veteran so helpless as to be in need of regular aid and attendance, the monthly compensation shall be [$2,012;] *$2,110;*

(n) if the veteran, as the result of service-connected disability, has suffered the anatomical loss or loss of use of both arms at levels, or with complications, preventing natural elbow action with prostheses in place, has suffered the anatomical loss of both legs so near the hip as to prevent the use of prosthetic appliances, or has suffered the anatomical loss of one arm and one leg so near the shoulder and hip as to prevent the use of prosthetic appliances, or has suffered the anatomical loss of both eyes, or has suffered blindness without light perception in both eyes, the monthly compensation shall be [$2,289;] *$2,401;*

(*o*) if the veteran, as the result of service-connected disability, has suffered disability under conditions which would entitle such veteran to two or more of the rates provided in one or more subsections (*l*) through (n) of this section, no condition being considered twice in the determination, or if the veteran has suffered bilateral deafness (and the hearing impairment in either one or both ears is service connected) rated at 60 percent or more disabling and the veteran has also suffered service-connected total blindness with 5/200 visual acuity or less, or if the veteran has suffered service-connected total deafness in one ear or bilateral deafness (and the hearing impairment in either one or both ears is service connected) rated at 40 percent or more disabling and the veteran has also suffered service-connected blindness having only light perception or less, or if the veteran has suffered the anatomical loss of both arms so near the shoulder as to prevent the use of prosthetic appliances, the monthly compensation shall be [$2,559;] *$2,684*

(p) in the event the veteran's service-connected disabilities exceed the requirements for any of the rates prescribed in this section, the Administrator may allow the next higher rate or an intermediate rate, but in no event in excess of [$2,559.] *$2,684*. In the event the veteran has suffered service-connected blindness with 5/200 visual acuity or less and (1) has also suffered bilateral deafness (and the hearing impairment in either one or both ears is service connected) rated at no less than 30

percent disabling, the Administrator shall allow the next higher rate, or (2) has also suffered service-connected total deafness in one ear or service-connected anatomical loss or loss of use of one hand or one foot, the Administrator shall allow the next intermediate rate, but in no event in excess of [$2,559.] *$2,684.* In the event the veteran has suffered service-connected blindness, having only light perception or less, and has also suffered bilateral deafness (and the hearing impairment in either one or both ears is service connected) rated at 10 or 20 percent disabling, the Administrator shall allow the next intermediate rate, but in no event in excess of [$2,559.] *$2,684.* In the event the veteran has suffered the anatomical loss or loss of use, or a combination of anatomical loss and loss of use, of three extremities, the Administrator shall allow the next higher rate or intermediate rate, but in no event in excess of [$2,559.] *$2,684.* Any intermediate rate under this subsection shall be established at the arithmetic mean, rounded down to the nearest dollar, between the two rates concerned;

(r) Subject to section 3203(e) of this title, if any veteran, otherwise entitled to compensation authorized under subsection (o) of this section, at the maximum rate authorized under subsection (p) of this section, or at the intermediate rate authorized between the rates authorized under subsections (n) and (o) of this section and at the rate authorized under subsection (k) of this section, is in need of regular aid and attendance, then, in addition to such compensation—

(1) the veteran shall be paid a monthly aid and attendance allowance at the rate of [$1,098;] *$1,151;* or

(2) if the veteran, in addition to such need for regular aid and attendance, is in need of a higher level of care, such veteran shall be paid a monthly aid and attendance allowance at the rate of [$1,636,] *$1,716* in lieu of the allowance authorized in clause (1) of this subsection, if the Administrator finds that the veteran, in the absence of the provision of such care, would require hospitalization, nursing home care, or other residential institutional care.

For the purposes of clause (2) of this subsection, need for a higher level of care shall be considered to be need for personal health-care services provided on a daily basis in the veteran's home by a person who is licensed to provide such services or who provides such services under the regular supervision of a licensed health-care professional. The existence of the need for such care shall be determined by a physician employed by the Veterans' Administration or, in areas where no such physician is available, by a physician carrying out such function under contract or fee arrangement based on an examination by such physician.

For the purposes of section 334 of this title, such allowance shall be considered as additional compensation payable for disability.

(s) If the veteran has a service-connected disability rated as total, and (1) has additional service-connected disability or disabilities independently ratable at 60 percent or more, or, (2) by reason of such veteran's service-connected disability or disabilities, is permanently housebound, then the monthly compensa-

tion shall be [$1,643.] *$1,723.* For the purposes of this subsection, the requirement of "permanently housebound" will be considered to have been met when the veteran is substantially confined to such veteran's house (ward or clinical areas, if institutionalized) or immediate premises due to a service-connected disability or disabilities which it is reasonably certain will remain throughout such veteran's lifetime.

§ 315. Additional compensation for dependents

Any veteran entitled to compensation at the rates provided in section 314 of this title, and whose disability is rated not less than 30 percent, shall be entitled to additional compensation for dependents in the following monthly amounts:

(1) If and while rated totally disabled and—

(A) has a spouse but no child, [$88;] *$92;*

(B) has a spouse and one or more children, [$148] *$155* plus [$46] *$48* for each child in excess of one;

(C) has no spouse but one or more children, [$61] *$63* plus [$46] *$48* for each child in excess of one;

(D) has a parent dependent upon such veteran for support, then, in addition to the above amounts, [$71] *$74* for each parent so dependent;

(E) notwithstanding the other provisions of this paragraph, the monthly payable amount on account of a spouse who is (i) a patient in a nursing home or (ii) helpless or blind, or so nearly helpless or blind as to need or require the regular aid and attendance of another person, shall be [$161] *$168* for a totally disabled veteran and proportionate amounts for partially disabled veterans in accordance with paragraph (2) of this section; and

(F) notwithstanding the other provisions of this paragraph, the monthly amount payable on account of each child who has attained the age of eighteen years and who is pursuing a course of instruction at an approved educational institution shall be [$136] *$142* for a totally disabled veteran and proportionate amounts for partially disabled veterans in accordance with paragraph (2) of this section.

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SUBCHAPTER VI—GENERAL COMPENSATION PROVISIONS

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§ 362. Clothing allowance

The Administrator under regulations which the Administrator shall prescribe, shall pay a clothing allowance of [$395] *$414* per year to each veteran who because of disability which is compensable under the provisions of this chapter, wears or uses prosthetic or orthopedic appliance or appliances (including a wheelchair) which the Administrator determines tends to wear out or tear the clothing of such a veteran.

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CHAPTER 13—DEPENDENCY AND INDEMNITY COMPENSATION FOR SERVICE-CONNECTED DEATHS

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SUBCHAPTER III—DEPENDENCY AND INDEMNITY COMPENSATION

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§ 411. Dependency and indemnity compensation to a surviving spouse

(a) Dependency and indemnity compensation shall be paid to a surviving spouse, based on the pay grade of the person upon whose death entitlement is predicated, at monthly rates set forth in the following table:

[Pay grade	Monthly rate	Pay grade	Monthly rate
E–1	$539	W–4	$773
E–2	555	O–1	682
E–3	570	O–2	704
E–4	606	O–3	754
E–5	622	O–4	797
E–6	636	O–5	879
E–7	667	O–6	991
E–8	704	O–7	1,071
E–9	[1] 735	O–8	1,174
W–1	682	O–9	1,259
W–2	709	O–10	[2] 1,381
W–3	730		

[1] If the veteran served as sergeant major of the Army, senior enlisted advisor of the Navy, chief master sergeant of the Air Force, sergeant major of the Marine Corps, or master chief petty officer of the Coast Guard, at the applicable time designated by section 402 of this title, the surviving spouse's rate shall be $794.

[2] If the veteran served as Chairman or Vice-Chairman of the Joint Chiefs of Staff, Chief of Staff of the Army, Chief of Naval Operations, Chief of Staff of the Air Force Commandant of the Marine Corps, or Commandant of the Coast Guard, at the applicable time designated by section 402 of this title, the surviving spouse's rate shall be $1,480.]

Pay grade	*Monthly rate*	*Pay grade*	*Monthly rate*
E–1	$565	W–4	$810
E–2	582	O–1	715
E–3	597	O–2	738
E–4	635	O–3	790
E–5	652	O–4	836
E–6	667	O–5	922
E–7	699	O–6	1,039
E–8	738	O–7	1,123
E–9	[1] 771	O–8	1,231
W–1	715	O–9	1,320
W–2	743	O–10	[2] 1,448
W–3	764		

[1] If the veteran served as sergeant major of the Army, senior enlisted advisor of the Navy, chief master sergeant of the Air Force, sergeant major of the Marine Corps, or master chief petty officer of the Coast Guard, at the applicable time designated by section 402 of this title, the surviving spouse's rate shall be $832.

[2] If the veteran served as Chairman or Vice-Chairman of the Joint Chiefs of Staff, Chief of Staff of the Army, Chief of Naval Operations, Chief of Staff of the Air Force Commandant of the Marine Corps, or Commandant of the Coast Guard, at the applicable time designated by section 402 of this title, the surviving spouse's rate shall be $1,552.

(b) If there is a surviving spouse with one or more children below the age of eighteen of a deceased veteran, the dependency and indemnity compensation paid monthly to the surviving spouse shall be increased by **[**$62**]** *$65* for each such child.

(c) The monthly rate of dependency and indemnity compensation payable to a surviving spouse shall be increased by **[**$161**]** *$168* if

the spouse is (1) a patient in a nursing home or (2) helpless or blind, or so nearly helpless or blind as to need or require the regular aid and attendance of another person.

(d) The monthly rate of dependency and indemnity compensation payable to a surviving spouse shall be increased by [$79] *$82* if the surviving spouse is, by reason of disability, permanently housebound but does not qualify for the aid and attendance allowance under subsection (c) of this section. For the purposes of this subsection, the requirement of "permanently housebound" will be considered to have been met when the surviving spouse is substantially confined to such surviving spouse's home (ward or clinical areas, if institutionalized) or immediate premises by reason of a disability or disabilities which it is reasonably certain will remain throughout such surviving spouse's lifetime.

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§ 413. Dependency and indemnity compensation to children

(a) Whenever there is no surviving spouse of a deceased veteran entitled to dependency and indemnity compensation, dependency and indemnity compensation shall be paid in equal shares to the children of the deceased veteran at the following monthly rates:

(1) one child, [$271;] *$284;*

(2) two children, [$391;] *$410;*

(3) three children, [$505;] *$529;* and

(4) more than three children, [$505,] *$529,* plus [$100] *$104* for each child in excess of three.

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§ 414. Supplemental dependency and indemnity compensation to children

(a) In the case of a child entitled to dependency and indemnity compensation who has attained the age of eighteen and who, while under such age, became permanently incapable of self-support, the dependency and indemnity compensation paid monthly to such child shall be increased by [$161.] *$168.*

(b) If dependency and indemnity compensation is payable monthly to a person as a surviving spouse and there is a child (of such person's deceased spouse) who has attained the age of eighteen and who, while under such age, became permanently incapable of self-support, dependency and indemnity compensation shall be paid monthly to each such child, concurrently with the payment of dependency and indemnity compensation to the surviving spouse, in the amount of [$271.] *$284.*

(c) If dependency and indemnity compensation is payable monthly to a person as a surviving spouse and there is a child (of such person's deceased spouse), who has attained the age of eighteen and who, while under the age of twenty-three, is pursuing a course of instruction at an educational institution approved under section 104 of this title, dependency and indemnity compensation shall be paid monthly to each such child, concurrently with the payment of

dependency and indemnity compensation to the surviving spouse, in the amount of [$138.] *$144.*

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